

**MARAIS DES CYGNES VALLEY
UNIFIED SCHOOL DISTRICT NO. 456**

**REGULATORY BASIS
FINANCIAL STATEMENTS
For the year ended June 30, 2014**

And

INDEPENDENT AUDITOR'S REPORTS

...KL...

Karlin & Long, LLC
Certified Public Accountants

10115 Cherry Lane
Lenexa, Kansas 66220
(913) 829-7676

2200 Kentucky Avenue
Platte City, Missouri 64079
(816) 858-3791

901 Kentucky Street, Suite 104
Lawrence, Kansas 66044
(785) 312-9091

UNIFIED SCHOOL DISTRICT NO. 456

Melvern, Kansas

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on Financial Statements	1-3
Statement 1	
Summary Statement of Cash Receipts, Expenditures and Unencumbered Cash	4
Notes to Financial Statements	5-12
Schedule 1	
Schedule of Expenditures - Actual and Budget	13
Schedule 2	
Schedule of Cash Receipts and Expenditures - Actual and Budget	
General Fund	14
Supplemental General Fund	15
Vocational Education Fund	16
Special Education Fund	17
Driver Training Fund	18
Food Service Fund	19
Capital Outlay Fund	20
Professional Development Fund	21
Recreation Commission Fund	22
Gifts and Grants Fund	23
KPERs Contribution Fund	24
At-Risk - K-12 Fund	25
Statement of Receipts and Expenditures - Any Nonbudgeted Funds	26-27
Schedule 3	
Statement of Receipts and Disbursements - Agency Funds	28
Schedule 4	
Statement of Receipts, Expenditures and Unencumbered Cash - District Activity Funds	29
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	30-31



Karlin & Long, LLC
Certified Public Accountants

Board of Education
Unified School District No. 456
Melvern, Kansas 66510

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Unified School District No. 456, Melvern, Kansas ("Municipality") as of and for the year ended June 30, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the presentation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Unified School District No. 456, Melvern, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 456, Melvern, Kansas as of June 30, 2014 or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Unified School District No. 456, Melvern, Kansas (“Municipality”) as of June 30, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinion on the 2014 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1, 2, 3, and 4 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2014 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting

and other records used to prepare the 2014 basic financial statement. The 2014 information has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement or to the 2014 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note 1.

A handwritten signature in cursive script that reads "Karlin & Long, LLC".

Karlin & Long, LLC
Certified Public Accountants

Lenexa, KS
September 5, 2014

USD #456 MEL VERN, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2014

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General Funds							
General	\$ 0	\$ 0	\$ 2,526,555	\$ 2,526,555	\$ 0	\$	\$ 0
Supplemental General	9,915	0	509,085	486,000	33,000		33,000
Special Purpose Funds							
Vocational Education	21,969	0	147,467	159,436	10,000		10,000
Special Education	430,827	0	436,059	523,148	343,738		343,738
Driver Education	33,844	0	1,615	3,341	32,118		32,118
Food Service	48,033	0	181,502	192,857	36,678		36,678
Capital Outlay	884,170	0	64,019	541,629	406,560		406,560
Professional Development	28,109	0	5,000	13,103	20,006		20,006
Recreation Commission	0	0	17,709	16,865	844		844
Gifts and Grants Fund	4,521	0	1,386	734	5,173		5,173
KPERS Special Contribution	0	0	182,299	182,299	0		0
At Risk (K-12)	18,200	0	369,432	377,632	10,000		10,000
District Activity Funds	17,662	0	51,151	52,253	16,560		16,560
Contingency Reserve Fund	132,076	0	0	0	132,076		132,076
Title I	0	0	67,703	61,299	6,404		6,404
Textbook	26,880	0	2,633	9,861	19,652		19,652
Title VI - REAP	0	0	17,569	17,569	0		0
Title IIA - Teacher Quality	1,961	0	11,480	13,441	0		0
	0	0	0	0	0		0
Total Reporting Entity	\$ 1,658,167	\$ 0	\$ 4,592,664	\$ 5,178,022	\$ 1,072,809	\$ 0	\$ 1,072,809
Composition of Cash							
Checking Accounts							\$ 1,088,242
Petty Cash							1,500
Savings Accounts							
Municipal Investment Pool							
Certificates of Deposit							
Total Cash							<u>1,089,742</u>
Agency Funds per Statement 3							<u>16,933</u>
Total Reporting Entity							<u>\$ 1,072,809</u>

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

USD No.456 is a municipal corporation governed by an elected seven member board. The district as an entity has been defined to include, on a combined basis, (a) USD No.456 (b) organizations for which USD No. 456 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with USD No.456 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the District's report.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year 2014:

Governmental Funds

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds – Used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long term debt) that are intended for specified purposes

Fiduciary Funds

Agency Funds – Funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, activity accounts, etc.)

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were budget amendments to the General Fund, At Risk Fund and Special Education Fund.

The statutes permit transferring budgeted amounts between accounts within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

Encumbrances are commitments by the city for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds and trust funds and the following special revenue funds:

Title IID Fund	Title IIA Fund
Title VI - REAP	Title I Fund
Contingency Reserve Fund	District Activity Funds
Textbook Fund	

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the district. The statute requires banks eligible to hold the district's funds have a main or branch bank in the county in which the district is located and the banks provide an acceptable rate of return on funds.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (Continued)

Deposits (Continued)

In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The district has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the district's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The district has no investment policy that would further limit its investment choices. The district had no investments during 2014.

Concentration of Credit Risk

State statutes place no limit on the amount the district may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. State statutes require the district's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2014.

At June 30, 2014, the government's carrying amount of deposits was \$ 1,089,742 and the bank balance was \$ 1,176,601. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was collateralized with securities held by the pledging financial institutions' agents in the district's name.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (continued)

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 – Defined Benefit Pension Plan

Plan Description – USD No. 456 participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depending on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414 (h) of the Internal Revenue Code.

The State of Kansas is required to contribute the statutory required employers share

NOTE 4 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the county carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Stewardship, Compliance and Accountability

We noted no violations of Kansas Statutes during the period under examination.

NOTE 6 – Compensated Absences

Vacation is provided for all twelve month employees. Employees cannot carry any vacation forward.

Sick leave accumulates at the rate of 10 days per year for all employees. A maximum of 65 days of sick leave can be accumulated. Employees are reimbursed at the end of each year at \$ 40 per day for all days accumulated over 65 days.

The district has not computed or recorded the potential liability.

NOTE 7 – Interfund Transactions

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Special Education Fund	K.S.A. 72-6428	\$ 362,223
General Fund	Vocational Education Fund	K.S.A. 72-6428	94,957
General Fund	Food Service Fund	K.S.A. 72-6428	18,105
General Fund	Capital Outlay Fund	K.S.A. 72-6428	16,756
General Fund	At Risk Fund	K.S.A. 72-6428	369,021
Supplemental General Fund	Professional Development	K.S.A. 72-6425	5,000
Supplemental General Fund	Food Service	K.S.A. 72-6425	15,000
Supplemental General Fund	Special Education Fund	K.S.A. 72-6425	59,159
Supplemental General Fund	At Risk Fund	K.S.A. 72-6425	10,000
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6425	36,592

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE 9 – Contingency

The District receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such disallowances, if any, will not be significant to the District's financial statements.

NOTE 10 – Cash Basis Exception

The State of Kansas statutes exempt all funds from a cash basis violation if the violation was as result of delayed payment by the state.

NOTE 11 – Subsequent Events

Subsequent events for management's review have been evaluated through September 5, 2014. The date in the prior sentence is the date the financial statements were available to be issued.

NOTE 12 – In Substance Receipt in Transit

The District received \$199,386 subsequent to June 30, 2014 and as required by K.S.A 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2014.

Unified School District No. 456, Melvern, Kansas

Regulatory-Required

Supplementary Information

For the year ended June 30, 2014

USD #456 MELVERN, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2014

Funds	Certified Budget	Adjustments to Comply with Legal Max	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
<u>Governmental Type Funds</u>						
General Funds						
General	\$ 2,318,919	\$ (207,636)	\$ 0	\$ 2,526,555	\$ 2,526,555	\$ 0
Supplemental General	486,000	0	0	486,000	486,000	0
<u>Special Purpose Funds</u>						
Vocational Education	175,500	0	0	175,500	159,436	(16,064)
Special Education	559,500	0	0	559,500	523,148	(36,352)
Driver Training	28,100	0	0	28,100	3,341	(24,759)
Food Service	230,000	0	0	230,000	192,857	(37,143)
Capital Outlay	687,500	0	0	687,500	541,629	(145,871)
Professional Development	14,200	0	0	14,200	13,103	(1,097)
Recreation Commission	16,865	0	0	16,865	16,865	0
Gifts and Grants	4,521	0	0	4,521	734	(3,787)
KPERS Special Contribution	197,895	0	0	197,895	182,299	(15,596)
At-Risk Fund	437,700	0	0	437,700	377,632	(60,068)

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2014

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 282,940	\$ 257,599	\$ 25,341
Delinquent tax	6,694	4,305	2,389
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	2,236,921	2,472,287	(235,366)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>2,526,555</u>	<u>2,734,191</u>	<u>(207,636)</u>
EXPENDITURES			
Instruction	789,082	658,016	131,066
Student support services	23,437	31,600	(8,163)
Instruction support staff	7,590	37,125	(29,535)
General administration	196,706	205,300	(8,594)
School administration	255,953	284,500	(28,547)
Operations and maintenance	296,896	313,500	(16,604)
Student transportation services	95,828	109,150	(13,322)
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	861,063	1,095,000	(233,937)
Adjustment to comply with legal max		(207,636)	207,636
Adjustment for qualifying budget credits			0
Total Expenditures	<u>2,526,555</u>	<u>\$ 2,526,555</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	<u>\$ 0</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
SUPPLEMENTAL GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 282,187	\$ 293,760	\$ (11,573)
Delinquent tax	7,565	3,953	3,612
Motor vehicle tax	24,621	26,122	(1,501)
RV tax	895	658	237
Mineral production tax			0
Federal grants			0
State aid/grants	193,817	190,639	3,178
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
 Total Cash Receipts	 <u>509,085</u>	 <u>515,132</u>	 <u>(6,047)</u>
 EXPENDITURES			
Instruction	271,335	301,000	(29,665)
Student support services	8,240	5,000	3,240
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	80,674	55,000	25,674
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	125,751	125,000	751
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
 Total Expenditures	 <u>486,000</u>	 <u>\$ 486,000</u>	 <u>\$ 0</u>
 Receipts Over (Under) Expenditures	 23,085		
Unencumbered Cash, Beginning	9,915		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ 33,000</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
VOCATIONAL EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants		13,500	(13,500)
Charges for services			0
Interest income			0
Miscellaneous revenues	6,329		6,329
Operating transfers	<u>141,138</u>	<u>175,000</u>	<u>(33,862)</u>
Total Cash Receipts	<u>147,467</u>	<u>188,500</u>	<u>(41,033)</u>
EXPENDITURES			
Instruction	157,941	173,000	(15,059)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	1,495	2,500	(1,005)
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>159,436</u>	<u>\$ 175,500</u>	<u>\$ (16,064)</u>
Receipts Over (Under) Expenditures	(11,969)		
Unencumbered Cash, Beginning	21,969		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>10,000</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
SPECIAL EDUCATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	14,677	18,000	(3,323)
Operating transfers	<u>421,382</u>	<u>490,000</u>	<u>(68,618)</u>
Total Cash Receipts	<u>436,059</u>	<u>508,000</u>	<u>(71,941)</u>
EXPENDITURES			
Instruction	507,832	550,000	(42,168)
Student support services	7,329	4,500	2,829
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services	7,987	5,000	2,987
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>523,148</u>	<u>\$ 559,500</u>	<u>\$ (36,352)</u>
Receipts Over (Under) Expenditures	(87,089)		
Unencumbered Cash, Beginning	430,827		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>343,738</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 DRIVER TRAINING FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	1,615	2,300	(685)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>1,615</u>	<u>2,300</u>	<u>(685)</u>
Total Cash Receipts			
EXPENDITURES			
Instruction	3,163	7,100	(3,937)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	178	1,000	(822)
Student transportation services			0
Central support services			0
Other support services		20,000	(20,000)
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>3,341</u>	<u>28,100</u>	<u>(24,759)</u>
Total Expenditures			
Receipts Over (Under) Expenditures	(1,726)		
Unencumbered Cash, Beginning	33,844		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>32,118</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 FOOD SERVICE FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants	110,363	108,951	1,412
State aid/grants	1,487	1,524	(37)
Charges for services	36,216	37,810	(1,594)
Interest income		6,000	(6,000)
Miscellaneous revenues	18,436		18,436
Operating transfers	<u>15,000</u>	<u>30,000</u>	<u>(15,000)</u>
Total Cash Receipts	<u>181,502</u>	<u>184,285</u>	<u>(2,783)</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations	192,857	230,000	(37,143)
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			<u>0</u>
Total Expenditures	<u>192,857</u>	<u>\$ 230,000</u>	<u>\$ (37,143)</u>
Receipts Over (Under) Expenditures	(11,355)		
Unencumbered Cash, Beginning	48,033		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>36,678</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 CAPITAL OUTLAY FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax	117		117
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income	1,148		1,148
Miscellaneous revenues	45,997	35,000	10,997
Operating transfers	16,757	30,000	(13,243)
	<u>64,019</u>	<u>65,000</u>	<u>(981)</u>
EXPENDITURES			
Instruction	22,390	25,000	(2,610)
Student support services			0
Instruction support staff			0
General administration			0
School administration	11,827	5,000	6,827
Operations and maintenance		2,500	(2,500)
Student transportation services		80,000	(80,000)
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services	507,412	575,000	(67,588)
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>541,629</u>	<u>\$ 687,500</u>	<u>\$ (145,871)</u>
Total Expenditures			
	<u>541,629</u>	<u>\$ 687,500</u>	<u>\$ (145,871)</u>
Receipts Over (Under) Expenditures	(477,610)		
Unencumbered Cash, Beginning	884,170		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>406,560</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
PROFESSIONAL DEVELOPMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>5,000</u>	<u> </u>	<u>5,000</u>
Total Cash Receipts	<u>5,000</u>	<u>0</u>	<u>5,000</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff	13,103	14,200	(1,097)
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>13,103</u>	<u>\$ 14,200</u>	<u>\$ (1,097)</u>
Receipts Over (Under) Expenditures	(8,103)		
Unencumbered Cash, Beginning	28,109		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>20,006</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 RECREATION COMMISSION FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 15,687	\$ 14,976	\$ 711
Delinquent tax	469	247	222
Motor vehicle tax	1,498	1,603	(105)
RV tax	55	41	14
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>17,709</u>	<u>16,867</u>	<u>842</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Community support services	16,865	16,865	0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>16,865</u>	<u>16,865</u>	<u>0</u>
Total Expenditures	<u>16,865</u>	<u>\$ 16,865</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	844		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 844</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 GIFTS AND GRANTS FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	1,386		1,386
Operating transfers			0
	<u>1,386</u>	<u>0</u>	<u>1,386</u>
Total Cash Receipts			
	<u>1,386</u>	<u>0</u>	<u>1,386</u>
EXPENDITURES			
Instruction	734	4,521	(3,787)
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Community support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>734</u>	<u>4,521</u>	<u>0</u>
Total Expenditures			
	<u>734</u>	<u>\$ 4,521</u>	<u>\$ (3,787)</u>
Receipts Over (Under) Expenditures	652		
Unencumbered Cash, Beginning	4,521		
Prior Year Cancelled Encumbrances	<u>0</u>		

Unencumbered Cash, Ending \$ 5,173

Note - The Gifts and Grants fund is exempt from the budget law by K.S.A. 72-8210

USD #456 MELVERN, KS
 KPERS SPECIAL RETIREMENT CONTRIBUTION FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	182,299	197,895	(15,596)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>182,299</u>	<u>197,895</u>	<u>(15,596)</u>
EXPENDITURES			
Instruction	129,251	140,000	(10,749)
Student support services			0
Instruction support staff	1,458	1,500	(42)
General administration	17,683	17,000	683
School administration	16,589	19,395	(2,806)
Operations and maintenance	12,943	15,000	(2,057)
Student transportation services			0
Central support services			0
Other support services			0
Food service operations	4,375	5,000	(625)
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>182,299</u>	<u>\$ 197,895</u>	<u>\$ (15,596)</u>
Total Expenditures	<u>182,299</u>	<u>\$ 197,895</u>	<u>\$ (15,596)</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

The notes to financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 AT RISK FUND (K-12)
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>369,432</u>	<u>495,000</u>	<u>(125,568)</u>
Total Cash Receipts	<u>369,432</u>	<u>495,000</u>	<u>(125,568)</u>
EXPENDITURES			
Instruction	366,899	405,000	(38,101)
Student support services		21,500	(21,500)
Instruction support staff			0
General administration			0
School administration	10,733	11,200	(467)
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>377,632</u>	<u>\$ 437,700</u>	<u>\$ (60,068)</u>
Receipts Over (Under) Expenditures	(8,200)		
Unencumbered Cash, Beginning	18,200		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 10,000</u>		

The notes to financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 Regulatory Basis
 For the Year Ended June 30, 2014

	<u>Contingency Reserve</u>	<u>Title 1</u>	<u>Textbook</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Mineral production tax			
Federal grants		67,703	
State aid/grants			
Charges for services			
Interest income			
Miscellaneous revenues			2,633
Operating transfers			
	<u>0</u>	<u>67,703</u>	<u>2,633</u>
EXPENDITURES			
Instruction		61,299	9,861
Student support services			
Instruction support staff			
General administration			
School administration			
Operations and maintenance			
Student transportation services			
Central support services			
Other support services			
Food service operations			
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
	<u>0</u>	<u>61,299</u>	<u>9,861</u>
Receipts Over (Under) Expenditures	0	6,404	(7,228)
Unencumbered Cash, Beginning	132,076	0	26,880
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>132,076</u></u>	\$ <u><u>6,404</u></u>	\$ <u><u>19,652</u></u>

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 Regulatory Basis
 For the Year Ended June 30, 2014

	<u>Title VI-B REAP</u>	<u>Title IIA Teach Quality</u>
CASH RECEIPTS		
Taxes and Shared Revenue		
Ad valorem property tax	\$	\$
Delinquent tax		
Motor vehicle tax		
RV tax		
Mineral production tax		
Federal grants	17,569	11,480
State aid/grants		
Charges for services		
Interest income		
Miscellaneous revenues		
Operating transfers		
	<u> </u>	<u> </u>
Total Cash Receipts	<u>17,569</u>	<u>11,480</u>
EXPENDITURES		
Instruction	17,569	13,441
Student support services		
Instruction support staff		
General administration		
School administration		
Operations and maintenance		
Student transportation services		
Central support services		
Other support services		
Food service operations		
Student activities		
Facility acquisition and construction services		
Debt service		
Operating transfers		
Adjustment for qualifying budget credits		
	<u> </u>	<u> </u>
Total Expenditures	<u>17,569</u>	<u>13,441</u>
Receipts Over (Under) Expenditures	0	(1,961)
Unencumbered Cash, Beginning	0	1,961
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u>0</u>	\$ <u>0</u>

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 AGENCY FUNDS
 Summary of Receipts and Disbursements
 Regulatory Basis
 For the Year Ended June 30, 2014

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Melvorn High School				
Class of 2015	\$ 916	\$ 26,986	\$ 22,579	\$ 5,323
Class of 2014	5,632	20,931	26,549	14
Class of 2013	-			-
Class of 2016	801	370	170	1,001
Class of 2017	678	160	171	667
Class of 2018	230	2,010	1,459	781
FFA	2,064	17,574	18,901	737
Student Council	365	2,247	2,360	252
FCCLA	1,058	1,510	1,069	1,499
FACS	337	90	80	347
FBLA	676	4,584	4,760	500
Letter club	2,288	964	1,798	1,454
M club	1,635	6,619	5,650	2,604
IHT	495			495
Cheerleaders	155	1,360	1,492	23
Drama	36			36
Quiz bowl	-	300	300	-
Music club	1,120	1,522	1,442	1,200
Total	\$ <u>18,486</u>	\$ <u>87,227</u>	\$ <u>88,780</u>	\$ <u>16,933</u>

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
DISTRICT ACTIVITY FUNDS
Schedule of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2014

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts							
High school athletics	\$ -	\$ -	25,980	\$ 25,810	\$ 170	\$ -	170
Middle school athletics	-	-	-	-	-	-	-
Subtotal Gate Receipts	-	-	25,980	25,810	170	-	170
School Projects							
High School							
Yearbook	1,403		1,214	1,695	922	-	922
Freedom Cookie Enterprises	933		250	245	938	-	938
Green Schools Grant	86		750	750	86	-	86
Pencils/copies	26				26	-	26
Library	177		49	28	198	-	198
Book rental/Equipment	2,008		5,210	5,497	1,721	-	1,721
Scholarships	2,694		4,319	4,601	2,412	-	2,412
Middle School							
Book rental	-		501	501	-	-	-
Yearbook	-		75	75	-	-	-
Box top money	2,875		475	785	2,565	-	2,565
Music	334		291	625	-	-	-
Fund raiser	6,834		6,161	5,920	7,075	-	7,075
Pop	-		887	887	-	-	-
Student activities	292		4,989	4,834	447	-	447
Subtotal School Projects	17,662	0	25,171	26,443	16,390	0	16,390
Total District Activity Funds	\$ 17,662	\$ 0	\$ 51,151	\$ 52,253	\$ 16,560	\$ 0	\$ 16,560

The notes to the financial statements are an integral part of this statement.



Karlin & Long, LLC
Certified Public Accountants

Board of Education
Unified School District No. 456
Melvern, Kansas 66510

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL COMPLIANCE REPORTING AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards contained in the Kansas Municipal Audit and Accounting Guide and the standards acceptable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Unified School District No. 456, Melvern, Kansas ("Municipality") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise Unified School District No. 456, Waverly, Kansas basic financial statements, and have issued our report thereon dated September 5, 2014. In our report, our opinion was adverse on the basis of U. S. Generally Accepted Accounting Principles and unqualified on the Regulatory Basis of Accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Unified School District No. 456's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Unified School District No. 456's internal control. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Education
Unified School District No. 456
Melvern, Kansas 66510


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District No. 456's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Karlin & Long, LLC
Certified Public Accountants

Lenexa, Kansas
September 5, 2014